(2005 Replacement Volume)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Commercial Law

12–124.

(a) (1) (i) In this section the following words have the meanings indicated.

[(ii) "Property insurance coverage" means property insurance against losses caused by perils that commonly are covered in insurance policies described with terms similar to "standard fire" or "standard fire with extended coverage".

(iii)] (II) "Flood insurance coverage" means flood insurance against losses caused by flooding that are covered under a policy issued [under the National Flood Insurance Act] by:

1. The federal government; or

2. An insurer.

(III) "IMPROVEMENTS" MEANS FIXTURES ATTACHED BUILDINGS OR STRUCTURES ERECTED UPON OR AFFIXED TO REAL PROPERTY THAT ENHANCE THE VALUE OF THE REAL PROPERTY.

(IV) "PROPERTY INSURANCE COVERAGE" MEANS PROPERTY INSURANCE AGAINST LOSSES CAUSED BY PERILS THAT COMMONLY ARE COVERED IN INSURANCE POLICIES DESCRIBED WITH TERMS SIMILAR TO "STANDARD FIRE" OR "STANDARD FIRE WITH EXTENDED COVERAGE".

(V) 1. "REPLACEMENT COST" MEANS THE AMOUNT NEEDED TO REPAIR DAMAGE TO OR REBUILD IMPROVEMENTS ON REAL PROPERTY TO RESTORE THE IMPROVEMENTS TO THEIR PRE–LOSS CONDITION.

2. "REPLACEMENT COST" DOES NOT INCLUDE THE VALUE OF LAND.

(2) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement [value] COST of the improvements on the real property.

(3) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase flood insurance coverage in an amount exceeding the replacement [value] COST of the improvements on the real property.

(4) In determining the replacement [value] COST of the improvements on any real property, the lender may: